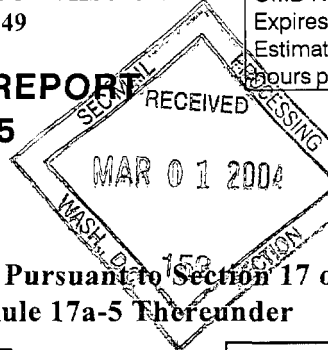


04015108

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549ANNUAL AUDITED REPORT
FORM X-17A-5
PART IIIOMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2004
Estimated average burden
hours per response..... 12.00SEC FILE NUMBER
a- 50882

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Charter New England Agency Inc

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

44914

FIRM I.D. NO.

90 North Main Street

(No. and Street)

Concord

New Hampshire

03301

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Cynthia W. Sanford

603 224-1350

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Wolf and Company

(Name - if individual, state last, first, middle name)

One International Place

Boston

Massachusetts

02110-2618

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 25 2004

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

3-24

OATH OR AFFIRMATION

I, Cynthia W. Sanford, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Charter New England Agency, Inc., as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Cynthia W. Sanford
Signature
CFO and Treasurer
Title

Victoria J. Harvey
Notary Public
my commission expires 6/26/07

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

None Found

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**CHARTER NEW ENGLAND
AGENCY, INC.**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Condition	2
Statements of Operations	3
Statements of Changes in Stockholder's Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9
Accompanying Information:	
Schedule 1 - Computation of Net Capital Under SEC Rule 15c3-1	10
Report of Independent Accountants on Internal Control	11-12

FINANCIAL STATEMENTS
AND
ACCOMPANYING INFORMATION
Years Ended December 31, 2003 and 2002

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
Charter New England Agency, Inc.

We have audited the accompanying statements of financial condition of Charter New England Agency, Inc. as of December 31, 2003 and 2002, and the related statements of operations, changes in stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charter New England Agency, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in Schedule 1 (Computation of Net Capital under Rule 15c3-1 at December 31, 2003 and 2002) is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Wolf & Company, P.C.

Boston, Massachusetts
January 20, 2004

CHARTER NEW ENGLAND AGENCY, INC.
(a Wholly-Owned Subsidiary of Charter Holding Corp.)

STATEMENTS OF FINANCIAL CONDITION

December 31, 2003 and 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	\$ 85,234	\$ 85,772
Receivables from related parties	72,236	82,651
Furniture and equipment, net	446	1,227
Prepaid expenses and other assets	<u>7,111</u>	<u>8,346</u>
	<u>\$165,027</u>	<u>\$177,996</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable and accrued expenses	<u>\$ 16,582</u>	<u>\$ 21,625</u>
Total liabilities	<u>16,582</u>	<u>21,625</u>
Stockholder's equity:		
Common stock; \$1 par value, 5,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Additional paid-in capital	699,000	699,000
Accumulated deficit	<u>(551,555)</u>	<u>(543,629)</u>
Total stockholder's equity	<u>148,445</u>	<u>156,371</u>
	<u>\$165,027</u>	<u>\$177,996</u>

The accompanying notes are an integral part of these financial statements.

CHARTER NEW ENGLAND AGENCY, INC.
(a Wholly-Owned Subsidiary of Charter Holding Corp.)

STATEMENTS OF OPERATIONS

Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Underwriting fees and commissions	\$ 547,108	\$ 513,203
Interest income	910	1,565
Other income	1,005	2,515
Total operating revenue	<u>549,023</u>	<u>517,283</u>
Operating expenses:		
Commissions	392,013	320,159
Employment expenses	142,493	177,068
Regulatory and professional fees	8,185	8,070
General and administrative expenses	9,555	14,128
Other expenses	<u>7,863</u>	<u>8,148</u>
Total operating expenses	<u>560,109</u>	<u>527,573</u>
Loss before income taxes	(11,086)	(10,290)
Income tax benefit	<u>3,160</u>	<u>2,720</u>
Net loss	<u>\$ (7,926)</u>	<u>\$ (7,570)</u>

The accompanying notes are an integral part of these financial statements.

CHARTER NEW ENGLAND AGENCY, INC.
(a Wholly-Owned Subsidiary of Charter Holding Corp.)

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

Years Ended December 31, 2003 and 2002

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, December 31, 2001	\$ 1,000	\$699,000	\$ (536,059)	\$163,941
Net loss	<u>-</u>	<u>-</u>	<u>(7,570)</u>	<u>(7,570)</u>
Balance, December 31, 2002	1,000	699,000	(543,629)	156,371
Net loss	<u>-</u>	<u>-</u>	<u>(7,926)</u>	<u>(7,926)</u>
Balance, December 31, 2003	<u>\$ 1,000</u>	<u>\$699,000</u>	<u>\$ (551,555)</u>	<u>\$148,445</u>

The accompanying notes are an integral part of these financial statements.

CHARTER NEW ENGLAND AGENCY, INC.
(a Wholly-Owned Subsidiary of Charter Holding Corp.)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net loss	\$ (7,926)	\$ (7,570)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	781	894
Net change in:		
Receivables from related parties	10,415	(15,520)
Prepaid expenses and other assets	1,235	2,644
Accounts payable and accrued expenses	<u>(5,043)</u>	<u>(10,234)</u>
Net cash used by operating activities	(538)	(29,786)
Cash and cash equivalents at beginning of year	<u>85,772</u>	<u>115,558</u>
Cash and cash equivalents at end of year	<u><u>\$ 85,234</u></u>	<u><u>\$ 85,772</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER NEW ENGLAND AGENCY, INC.
(a Wholly-Owned Subsidiary of Charter Holding Corp.)

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2003 and 2002

1. DESCRIPTION OF BUSINESS

Charter New England Agency, Inc. ("CNEA") is a 100% subsidiary of Charter Holding Corp. ("Charter"). CNEA is a limited broker-dealer registered with the Securities and Exchange Commission and incorporated under the laws of the State of New Hampshire, which markets life insurance, mutual funds and variable annuities through another registered broker-dealer, and under a marketing agreement with four affiliated banks within the state of New Hampshire.

The Company introduces all transactions and accounts of customers to another registered broker/dealer that carries such accounts on a fully disclosed basis. The Company does not receive customer securities or customer funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Charter New England Agency's financial statements have been prepared using accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash and an interest-bearing money market account with a bank.

Furniture and equipment

Furniture and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Revenue recognition

Underwriting fees and commissions earned (and related expenses) from the distribution and sale of life insurance, annuities and mutual fund shares are recorded on a trade date basis.

Advertising costs

Advertising costs are expensed as incurred.

CHARTER NEW ENGLAND AGENCY, INC.
(a Wholly-Owned Subsidiary of Charter Holding Corp.)

NOTES TO FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Income taxes

CNEA is a party to the federal tax sharing agreement by and among Charter and its subsidiaries in which income taxes are allocated on a pro rata basis based on each company's contribution to the consolidated group's taxable income or loss. CNEA files a separate New Hampshire state income tax return.

Employee benefit plan

Certain employees of CNEA participate in a qualified 401(k) plan sponsored and administered by Charter Trust Company, a wholly-owned subsidiary of Charter. The plan complies with requirements established by the Employee Retirement Income Security Act of 1974.

The employees of CNEA also receive certain health care and life insurance benefits provided under a Section 125 plan administered by Charter Trust Company.

3. FURNITURE AND EQUIPMENT

The cost and accumulated depreciation of furniture and equipment at December 31, is as follows:

	<u>2003</u>	<u>2002</u>
Furniture and fixtures	\$ 2,023	\$2,023
Office equipment	-	1,815
Computer software	<u>1,816</u>	<u>1,816</u>
	3,839	5,654
Less accumulated depreciation	<u>3,393</u>	<u>4,427</u>
Furniture and equipment, net	<u>\$ 446</u>	<u>\$1,227</u>

For the years ended December 31, 2003 and 2002, depreciation expense amounted to \$781 and \$894 respectively, and is included in general and administrative expenses.

CHARTER NEW ENGLAND AGENCY, INC.
(a Wholly-Owned Subsidiary of Charter Holding Corp.)

NOTES TO FINANCIAL STATEMENTS (Continued)

4. INCOME TAXES

The components of the income tax benefit are as follows for the years ended December 31:

	<u>2003</u>	<u>2002</u>
Current:		
Federal	\$ 4,002	\$ 3,768
State	<u>(842)</u>	<u>(1,048)</u>
	<u>\$ 3,160</u>	<u>\$ 2,720</u>

The effective tax rates for the years ended December 31, 2003 and 2002 are 28.5% and 26.4%, respectively, and differ from the statutory rate of 34% due primarily to the state taxes.

There are no deferred tax assets or liabilities at December 31, 2003 and 2002.

5. CAPITAL AND RESERVE REQUIREMENT INFORMATION

As a broker-dealer registered with the Securities and Exchange Commission, CNEA is subject to certain rules regarding minimum net capital. Charter New England Agency operates pursuant to Rule 15c3-1, paragraph (a) of the Securities Exchange Act of 1934 and, accordingly, is required to maintain a ratio of "aggregate indebtedness" to "net capital" (as those items are defined) which may not exceed 15 to 1. Aggregate indebtedness, net capital and resultant ratios for CNEA at December 31 are as follows:

	<u>2003</u>	<u>2002</u>
Aggregate indebtedness	\$16,582	\$21,625
Net capital	68,652	58,147
Ratio of aggregate indebtedness to net capital	.24 to 1.0	.37 to 1.0

Based on its aggregate indebtedness on each date, CNEA's minimum required net capital amounted to \$5,000 at December 31, 2003 and 2002.

The operations of CNEA do not include the physical handling ("possession and control") of securities or the maintenance of open customer accounts. Accordingly, CNEA is exempt from the reserve provisions of Rule 15c3-3 under the exemption allowed by section (k)(2)(ii) of such rule.

CHARTER NEW ENGLAND AGENCY, INC.
(a Wholly-Owned Subsidiary of Charter Holding Corp.)

NOTES TO FINANCIAL STATEMENTS (Concluded)

6. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 are comprised of the following:

	<u>2003</u>	<u>2002</u>
Travel, training and entertainment	\$ 3,745	\$ 3,798
Depreciation	781	894
Telephone	-	2,905
Outside payroll services	2,838	2,586
Postage	465	42
Directors' and officers' insurance	-	1,013
Office supplies	694	2,001
Advertising	-	586
Miscellaneous	<u>1,032</u>	<u>303</u>
	<u>\$ 9,555</u>	<u>\$ 14,128</u>

7. RELATED PARTY TRANSACTIONS

Receivables from related parties

Receivables from related parties were as follows as of December 31.

	<u>2003</u>	<u>2002</u>
Taxes receivable from parent	\$ 71,279	\$ 67,882
Other receivables	<u>957</u>	<u>14,769</u>
	<u>\$ 72,236</u>	<u>\$ 82,651</u>

Management fee

In January 2002, CNEA entered into an agreement with Charter Trust Company ("CTC") whereby in lieu of commissions, CNEA collects a monthly management fee from CTC in consideration of performing certain administrative functions and providing employee services. Amounts earned under this agreement totaled \$40,500 and \$45,600 for the years ended December 31, 2003 and 2002, respectively, and are reflected as a reduction in employment expenses.

CHARTER NEW ENGLAND AGENCY, INC.
(a Wholly-Owned Subsidiary of Charter Holding Corp.)

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1

As of December 31, 2003 and 2002

Net capital	<u>2003</u>	<u>2002</u>
Total stockholder's equity, allowable for purposes of net capital computation	\$148,445	\$156,371
Less nonallowable assets:		
Fidelity bond excess deductible	-	6,000
Receivables from related parties	72,236	82,651
Furniture and equipment, net	446	1,227
Prepaid expenses and other assets	<u>7,111</u>	<u>8,346</u>
Net capital	<u>\$ 68,652</u>	<u>\$ 58,147</u>
Aggregate indebtedness		
Total liabilities included in statement of financial condition	<u>\$ 16,582</u>	<u>\$ 21,625</u>
Aggregate indebtedness	<u>\$ 16,582</u>	<u>\$ 21,625</u>
Minimum net capital required to be maintained	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Net capital in excess of minimum requirements	<u>\$ 63,652</u>	<u>\$ 53,147</u>
Ratio of aggregate indebtedness to net capital	.24 to 1.0	.37 to 1.0

Note A – Reconciliation of the unaudited FOCUS Report

There were no material differences between the amounts appearing above and those reported by CNEA in Part II-A of the unaudited FOCUS Report on Form X-17a-5 at December 31, 2003 and 2002.

**Report of Independent Accountants
on Internal Control Required by
SEC Rule 17a-5 for a Broker-Dealer
Claiming an Exemption from SEC Rule 15c3-3**

To the Board of Directors and Stockholder of
Charter New England Agency, Inc.:

In planning and performing our audit of the financial statements and supplemental schedule of Charter New England Agency, Inc. (the "Company") for the years ended December 31, 2003 and 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003 and 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Wolf & Company, P.C.

Boston, Massachusetts
January 20, 2004